

CHAPTER II

RESULTS OF AUDIT

2.1 Loss of Rs. 1.58 crore on depositing the funds injudiciously in district co-operative bank.

According to rule 101 of Zila Panchayat (ZP) Act, 1961 all financial transactions by ZP would be done through Zila Nidhi in which all amounts including Government Grants would be deposited. Zila Nidhi shall be kept in the government treasury, sub treasury or in the bank to which the government business has been made over or with the previous sanction of State Government in one or more of the scheduled bank or co-operative bank specified by it in this behalf.

Scrutiny of records of ZP, Balrampur (February 2006) revealed that the ZP was operating its accounts (1998) in violation of rules in the District Cooperative Bank Ltd., Gonda Branch, Balrampur, a non scheduled bank. Since the functioning of the cooperative bank was found unreliable and doubtful, the Reserve Bank of India rejected (August 2002) the license application to carry on banking business. As a result, the banking transaction was ceased and the amount of Rs. 1.58* crore lying unutilized in the bank could not be utilized for the purposes for which funds were given.

Regarding opening of Bank account in non scheduled bank, the ZP could not produce any previous sanction of the State Government which was essential for the said purpose.

Matter was reported to the Government in May, 2006. The reply has not been received till date.

* Government Grant Rs. 128.74 lakh, Antyodaya Yojana Rs. 1.53 lakh, Grant from DRDA Rs. 12.20 lakh and Zila Nidhi (own revenue) Rs. 15.51 lakh.

2.2 Unfruitful expenditure of Rs. 79.25 lakh on construction of women's hostel.

In order to make education more effective in rural areas and to make available a permanent source of income of Zila Panchayat (ZP), the project of a hostel for accommodation of four hundred girl students in the premises of Normal school in Baraut was prepared at a cost of Rs.1.41 crore. Financial sanction for construction of Women's Hostel at Baraut, Bagpat district was accorded by Government (April 1995) and Rs. 89.36 lakh was sanctioned (74.36 lakh for construction of Hostel and Rs. 15.00 lakh for furnishing). Jal Nigam was nominated as implementing agency for the construction of the Hostel. The construction of the Hostel to the capacity of 100 girl students was completed and handed over to ZP in 1999-2000.

Scrutiny of records of ZP, Baghpat (February 2006) revealed that the construction of hostel was made without any assessment regarding number of girl students in rural areas. Efforts were made through news papers since January, 2000 to provide hostel facilities to girls but due to non availability of candidates the same could not succeed and as a result, the very purpose of construction of the hostel building was not served.

Further scrutiny revealed that upto March, 2006 a sum of Rs. 2.89 lakh was paid to a security agency. Even after expiry of five years the functioning of the Hostel could not be operationalised and expenditure of Rs. 79.25 lakh on its construction etc. remained unfruitful and the desired objectives remained unfulfilled. Due to lack of prior planning, evaluation and study before construction of hostel the expenditure on the project was unfruitful. The additional Chief Executive Officer (ZP) Baghpat stated (February 2006) that to protect the property of Zila Panchayat, it was essential to provide security to the hostel.

Matter was reported to the Government (June 2006). Reply was awaited.

2.3 Unauthorised Diversions of Rs. 1.72 crore

Two Zila Panchayats, one Kshetra Panchayat and seventeen Gram Panchayats diverted a total sum of Rs. 82.39 lakh unauthorisely from one scheme to another in violation of scheme guidelines, affecting implementation of scheme for which these funds were provided as per details given below:-

Sl. No.	Name of Unit	Year	Scheme from which diverted	Purpose for which diverted	Amount (Rs. In lakh)
1	Zila Panchayat Kushinagar	2003-04	Sampoorna Gramin Rozgar Yojna	Loan to Chief Development officer for Ambedakar Gram Nali, Kharanja works	60.00
2	-do-	1999-2000 to 2004-05	-do-	Administrative expenses	89.92
3	Zila Panchayat Hardoi	2002-03	-do-	Draught relief programme	14.38
4	Kshetra Panchayat Ekauna Srawasti	1990-91	Nirbal Varg Avast Yojna	Invested in saving accounts at Post office	3.30
5	17 Gram Panchayats (Appendix –IV)	2003-04 & 2004-05	Sampoorna Gramin Rozgar Yojna	Repair of Hand Pumps	4.71
				Total	172.31

The matter was referred to the Government (May 2006), reply awaited.

2.4 Unfruitful expenditure of Rs. 19.90 lakh on construction of RCC culvert

Administrative and financial approval for construction of RCC culvert in Vedupar to Virvat road via. Vintoli on old Basi river Kshetra Panchayat, Tamkuhi District Kushinagar was accorded (March 2001) for Rs. 20.84 lakh. The estimate of Rs. 20.84 lakh was sent to Government for technical approval by Zila Panchayat (13th Feb 2003). A sum of Rs. 18.34 lakh was released to Zila Panchayat by State Government out of Purvanchal Vikas Nidhi and Rs. 2.50 lakh out of Vidhayak Nidhi.

A scrutiny of records (March 2006) of Zila Panchayat, Kushinagar revealed the following:-

1. On the basis of the soil testing report of proposed site, at least 20 meter span culvert was needed, but ZP sent an estimate of 18 mtr. span R.C.C. culvert for technical sanction to the Government. Sanction was not communicated (March 2006).
2. Three tenders were shown as received (27 March 2002) and the lowest tender of Rs. 20.34 lakh was accepted. However the contractor had already started the work before receipt of the tender on 11 Feb 2002 and had executed the work costing Rs. 3.74 lakh to this date.
3. The contractor continued the work till March 2004 and further execution was stopped without completion work of inter media and filler material in gaps of expansion joints which were essential items of the work for the construction of culvert. The contractor had been paid Rs. 17.40 lakh for his executed work.
4. It was noticed that the expenditure of Rs. 2.50 lakh was incurred by department on execution (between March & September 2003) of earth work in embankment on muster roll basis from Vidhayak Nidhi through these items of work were part of the tender thereby extending undue benefit to the contractor.
5. Though the construction work was stopped by the contractor in March 2004 yet no action had been taken against him except for issuing notices between July 2004 and January 2006 and work was lying in abandoned condition till March 2006.

In reply, the ZP had accepted (March 2006) the facts. Thus Rs. 19.90 lakh spent on construction had remained unfruitful as yet.

Matter was referred to the government (March 2006). Reply was awaited.

2.5 Loss of Rs. 8.93 lakh due to irregularity in assessment of taxes.

According to Uttar Pradesh Zila Panchayat (Imposition, Assessment and Recovery of Estate and Property Tax) Rules, 1994 provision for assessment of the tax of current year has to be made on the basis of total taxable income of the previous financial year. Tax payers had a right to appeal under section 135 to 136 of the Act against the tax assessment and the prescribed authority was to give orders in writing in which reasons for the decision would be incorporated.

Scrutiny of records of Zila Panchayat Sant Kabir Nagar (March 2006) revealed that in 1998-99, the imposed tax was either reduced or exempted by the Tax Assessment Officer (T.A.O.) in appeal without any valid recorded reasons thus giving undue favour to selected assesses resulting in loss of Rs. 8.39 lakh.

Reduction in tax could be done only after obtaining of relevant valid documents from the tax payees. In reply the Additional Chief Executive Officer, ZP, Sant Kabir Nagar, while admitting the facts, stated (March 2006) that action was been taken against the concerned officials.

The matter was brought to the notice of the Government (May 2006). Reply was awaited.

2.6 Diversion of fund of Rs. 29 lakh and non crediting of Rs. 1.34 crore in Government account

Integrated Rural Development Scheme introduced in in the State in October 1980, inter alia covered the aims and objectives of the Local Development and Antodaya Scheme already running in the state. Government imposed (August 1981) a ban on utilization of available balance at the close of July 1981 out of grants sanctioned to Zila Panchayat (ZP) for Local Development Special Component Plan and Antodaya Schemes. It was directed by the Government that the residual amount of the schemes closed after launching of IRDP scheme would be deposited in receipt head (0515-Other Rural

Development Programme 800-Other Receipts - 02 Unused money of Local Development and Antyodaya).

Scrutiny of the records of four ZPs (as per appendix-V) revealed that a total amount of Rs. 5.22 crore was received under these schemes out of which only Rs. 4.50 crore was distributed upto to the beneficiaries leaving a balance of Rs. 72.30 lakh. Out of the balance, Rs. 63.93 lakh was deposited in July and August 1984 in the receipt head and the remaining balance Rs. 8.37 lakh along with recovered amount of loan and interest of Rs 125.32 lakh from beneficiaries under old scheme was invested in post office to boost the target of National saving in the concerned districts. Out of this invested amount of Rs. 1.34 crore, Rs. 29 lakh were diverted upto March 2006 towards establishment expenses. The remaining amount of Rs. 1.05 crore has not been deposited in Government account.

The ZPs in reply stated (March 2006) that after getting permission from the State Government the whole amount would be deposited in the treasury. Reply was not tenable because the residual and the recovered amount along with interest was to be credited to the Government account and therefore, no further permission for depositing the recovered amount was required.

The matter was referred to the Government (August 2006). Reply awaited.

2.7 Unauthorised expenditure of Rs. 10.79 lakh on work

Earth work on 2 km. link road from Mahadipur to Chakmahani and construction work of 5 mts. Span R.C.C. culvert at the cost of Rs. 10.80 lakh was sanctioned from Sansad Nidhi (MP LAD Fund) in the year 2002-03. Junior Engineer (JE) Rural Engineering Service (RES) was nominated (June 2003) work incharge by Block Development Officer (BDO) and was directed to do spot verification of the site before commencement of the work and also to ensure that during the last five years no similar work was executed by another agency. Transparency in the work was to be maintained and

the work incharge was to take technical advice from Assistant Engineer (RES). In between 13 Jun 2003 to 6 Feb 2004 Rs. 10.79* lakh were paid to the work in charge for this work.

Scrutiny of the records (Feb 2006) of Kshetra Panchayat Khalilabad Distt. Sant Kabeer Nagar revealed the following irregularities:-

(i) The work incharge (JE) neither made detailed survey report nor obtained NOC from other working agencies in that area i.e. Gram Sabha, Zila Panchayat and other Government department.

(ii) Technical approval was not obtained.

(iii) The details of Muster Roll number, MB No. & page number as well as the signature of the issuing officer was not found on the Muster Roll. Daily attendance of the labourers was not certified.

(iv)- Of the total payment of Rs. 10.79 lakh made against the work, the work incharge had shown the payment of Rs. 4.02 lakh on materials (Bricks, Cement, sand etc.) without its measurement and entry in the stock register, while payment of Rs. 2.35 lakh was made without measurement. Payment of Rs. 4.42 lakh was paid on wrong measurement, which also include the work got executed by the J.E. between 1st June and 10th June 2003 costing Rs. 1.16 lakh before the work order issued on 11th June 2003.

In the work completion certificate it was shown that the work started on 1 July 2003 and ended on 30 September, 2003. The executed work was not certified by AE.

Thus, payment of Rs. 10.79 lakh was made on execution of doubtful work.

On being pointed out the department accepted the objection and stated that the work incharge (JE) had been asked to clarify on the matter. As of July 2007 neither any report of departmental enquiry has been setup nor any action taken on the

* Rs. 2 lakh on 13 Jun 2003, 2,99,988 on 23 Jun 2003, 1,99,984 on 25 Jul 2003, 3,27,605 on 29 Aug 2003, 23,625 on 15 Sep 2003 and 27,840 on 6 Feb 2004.

serving JE. Thus, lack of proper monitoring by BDO led to unauthorized/doubtful expenditure of Rs. 10.79 lakh.

The matter was referred to the government (June 2006). Reply awaited till date.

2.8 Non-deduction of Trade Tax of Rs. 7.11 lakh

As per 8-D of U.P. Trade Tax-Act, Trade Tax @ 4% was to be deducted from the bills to be paid to the suppliers/contractors in lieu of work done or material supplied. Deductions made at source were to be deposited in the Government Account.

Scrutiny of records of following Kshetra Panchayats revealed that during the year 2003-04 and 2004-05 trade tax amounting to Rs.7.11 lakh had not been deducted from the bill of the contractors/suppliers as per details given below:-

(Rs. in lakh)				
Sl.No.	Name of Kshtra Panchyat	District	Amount of Payment	Amount of non deduction of Trade Tax
1	Joya	J.P. Nagar	12.36	0.49
2	Nawabganj	Bareilly	6.16	0.25
3	Gadwar	Ballia	72.95	2.92
4	Lalganj	Azamgarh	86.28	3.45
Total			177.75	7.11

This resulted in the revenue loss of Rs. 7.11 lakh. Responsibilities for the loss had not been fixed, though such lapses had been pointed out by audit earlier also.

2.9 Non deduction of Income Tax amounting Rs. 2.55 lakh and deducted amount Rs. 3.44 lakh was not deposited.

As per Income Tax Act,1961 (Article 194 C) Income tax @ 2.24 percent was to be deducted from the bills of the contractors/suppliers and the deducted amount should be deposited under the concerned head.

Scrutiny of records of 10 Kshetra Panchayats (KP) and 1 Zila Panchayat (ZP) revealed that during the period 2003-04 and 2004-05 (as per Appendix-VI) Income Tax amounting to Rs. 2.55 lakh was not deducted from the bills of the contractor/suppliers and

income tax amounting to Rs. 3.44 lakh though deducted from the bills were not deposited under the concerned receipt head. Responsibility for this lapse had not been fixed.

2.10 Unfruitful expenditure of Rs. 3.40 crore on incomplete works

According to para 5.2 & 5.4 (xiv) of the Sampurna Gramin Rojgar Yojna (SGRY) guidelines, the District Rural Development Agency (DRDA) was to release funds to Zila Panchayat (ZP) in two installments. The second installment was to be released on producing a certificate to the effect that works which started two years ago had been completed.

Scrutiny of records of ZP Allahabad (May 2005) and further information collected (July 2006) revealed that 195 works were sanctioned between 2000-05 at an estimated cost of Rs. 6.68 crore. In violation of guidelines, against the estimated cost of Rs. 6.68 crore for 195 works (Appendix-VII) whole of the amount of Rs. 6.68 crore was released by DRDA to ZP Allahabad between August 2001 to March 2005. The ZP Allahabad incurred an expenditure of Rs. 3.40 crore up to March 2005 and there after further execution was stopped due to disputes at site of these works. As per guidelines instead of releasing the whole amount in a singal installment, it should have been released in two installments and the amount of the second installment should have been made only after producing a certificate of completion of work against the amount release in first installment.

The year wise position of this work are detailed below:-

(Rs. in Crore)					
Years	No. of works	Eastimated cost	Amount released by DRDA	by	Expenditure by ZP
2000-01	4	0.15		0.15	0.07
2001-02	14	0.62		0.62	0.59
2002-03	43	1.27		1.27	0.75
2003-04	95	3.31		3.31	1.54
2004-05	39	1.33		1.33	0.45
TOTAL	195	6.68		6.68	3.40

Thus, by making a departure from the SGRY guidelines, the amount of Rs. 3.28 crore had remained blocked after March 2005 beside rendering the expenditure of Rs. 3.40 crore as unfruitful.

The matter was referred to the government (August 2006). Reply awaited.

2.11 Misappropriation of Rs. 6.34 lakh from M.P. LAD.

The construction of the 4.75 kms “link road from Tulsipur Itwa to Kather, (Pipra on Gaura Itwa road to Kather)” was decided to be made by the District Core Team of the road networks Balrampur and the work was approved (September 2002) by the Zila Panchayat (ZP) Balrampur under Pradhan Mantri Gramin Sadak Yojna (PMGSY). The Public Works Department was the Project Implementing Unit (PIU) in respect of PMGSY works in the district. The work commenced in September 2004 and was completed in July 2005. Meanwhile, District Rural Development Agency (DRDA) Balrampur sanctioned (Aug. 2003) Rs. 6.40 lakh to Kshetra Panchayat (KP) Gaisri for construction of an intervening portion³ of 1.00 km length the same link road and 2 culverts from Sansad Nidhi⁴.

Scrutiny of records of KP, Gainsari (Dec’ 05) and further information collected (Aug 2006) revealed that KP utilized Rs. 6.34 lakh during 2003-04 on laying of Kharanja and the construction of culverts on the said portion of road despite the fact that it was already

³ Pipara to Kather

⁴ Member of Parliament Local Area Development Fund (MPLADS)

sanctioned under PMGSY. Further, it was ascertained (August 2006) from PIU that no work was done by any other agency or under any other scheme on the said road before the commencement of work by it and work from zero point to coating stage was covered under PMGSY. The test-check of the records of KP further revealed the following serious irregularities.

i) While 3 masons were shown engaged on work for culvert construction on Muster Roll from 2 January 2004 to 11 January 2004, the procurement of material i.e. iron bars, cement was made on 14 & 18 Jan 2004 after the completion of the work.

ii) No stock register was maintained to indicate the dates of the receipt of the material including bricks to indicate the dates of their receipts from the suppliers and payments made to them against these supplies.

iii) Although JE reported that the bricks were uprooted from the pavement of the road by unknown persons (Oct 2004), no FIR was lodged for the stolen bricks.

Thus, contrary evidences as given above indicated that Rs 6.34 lakh was misappropriated by KP by submitting forged bills for construction of the link road.

2.12 IRREGULAR EXPENDITURE OF RS. 74.96 LAKH

As per guidelines issued⁵ by Government of India, Sampoorna Gramin Rojgar Yojana (SGRY) should primarily be labour oriented and labour and material component of expenditure to be maintained in the ratio of 80:20. The construction of metallic roads was to be avoided.

⁵ Para 6.5.2(f) of SGRY Guidelines

Scrutiny of records of Zila Panchayat (ZP), Allahabad (May 2005) and further information collected (July 2007) revealed that contrary to these guidelines, Rs. 74.96 lakh were spent on construction of the following metallic road :-

(Rs. in lakh)

SL. NO	Kchhetra Panchayat	Name Of The Work	Sanctioned Amount	Amount Of Expenditure	Material	Labour	Mandays generated
1.	Mauaima	Link road from Main road to village Mukimullah to Chhitemau	9.74	9.42	8.23	1.39	2058
2.	Soraon	From Allahabad Faizabad Road to Lal Khatoon link road	8.53	2.83	1.95	0.88	1520
3.	Kaudihar	From Asrauli village to Smt. Seema Devi member's house	3.64	0.38	0.38	0	0
4.	Dhanupur	From Kaudi Marg to Chaksaran link road	9.86	9.78	8.34	1.44	2486
5.	Bahadurpur	Link road situated at Jamunipur Maa Andri Dham	5.56	5.54	4.99	0.55	960
6.	Pratappur	At Bari Janghai Marg, From Champapur Chanethu to Mahuapur link road.	7.68	7.53	6.28	1.25	2155
7.	Saidabad	From G.T.Road to Village Member's place	5.75	5.70	4.88	0.82	1410
8.	Baharia	From Karnaipur Dadoopur road to Baghaura link road	3.89	3.79	3.04	0.75	1293
9.	Baharia	14.5 km. from Phoolpur branch to village Dhamroor	7.15	6.95	5.46	1.49	2576
10.	Baharia	From Chaimalpur Sikandra to PWD road	8.09	8.01	6.60	1.41	2420
11.	Baharia	From Gopalapur (Ambedkar Gram) to Chamroopur link road	5.42	5.33	4.23	1.10	1900
12.	Handia	From Handia G.T.road to Railway line Rigda (Village Upardaha)	9.84	9.70	7.53	2.17	3739
		TOTAL	85.15	74.96	61.91	13.25	22517

Thus, out of of Rs. 74.96 lakh expenditure of only Rs. 13.25 lakh was made towards labour as against Rs. 60.00 lakh resulting in reduction in generation of employment and loss of 78000 man days.

In reply, the department stated (May 2005) that the metallization of roads was approved by the ZP. However, ZP assured to avoid such incidence in future.

The matter was referred to the government (August 2006); reply was awaited.

2.13 PROCEDURAL LAPSES IN PAYMENT OF RS. 13.99 LAKH

According to para 5.16.2 of guidelines of Sampoorna Gramin Rojgar Yojna (SGRY), payment of wages to labourers should be made on a weekly basis in presence of the elected members of Panchayats .The category and identity of the labourer e.g. SC/ST/Women/Rojgar number. etc should invariably be recorded in the Muster Roll (MR) before making the payment. Further, MR should bear the serial number and signature of issuing authority. The details of payment regarding cash and food grains coupon number should also be made in the MR and after each payment, a remark 'paid and cancelled' should be given by the competent authority on the face of the MR.

Scrutiny of records of Zila Panchayat (ZP) Shahjahanpur (March 2006) and six Gram Panchayats (as per appendix-VIII) revealed that the expenditure of Rs 13.99 lakh was made towards wages incurred on the construction of five* link roads through the muster rolls.

Scrutiny of the muster rolls revealed that disbursement of wages to the labourers was shown to be made without acknowledging receipts from the labourers in token of payments made to them. Further, details and category of the labourers engaged on each of the works and number of coupon used for distribution of food grains to the labourers were not recorded in MR.

Thus, the expenditure of Rs. 13.99 lakh was incurred towards payment of wages without any proof and identity of the labourers.

The matter was referred to the Government (August 2006); reply was awaited.

* 1 Kumirakha TO Kabra – 1 Km.-Earth Work Rs. 1.24 lakh, 2 Himmatpur to Badiankalan-2 kms.-Earth work Rs. 2.31 lakh, 3 Balance work of Chauhanapur-2750 mts Rs. 2.89 lakh, 4 Dhaka Ghanshyampur to Jikrainia-3kms-Earth work Rs. 3.22 lakh, 5 Lakhuapur Road to Sauwaya Phagalpur-2.20 kms-Earth work Rs. 2.28 lakh **Total** 11.94 lakh.

2.14 Wrong reporting of achievements under Indira Awas Yojna.

Indira Awas Yojna launched in July, 1985, envisaged construction of small and cheap houses for SCs/STs and below poverty line population residing in rural areas. The unit cost of each house was fixed Rs. 20000 (Ist installment Rs. 10000, IInd installment Rs 7000) and IIIrd installment Rs. 3000 in the form of sanitary latrines and smokeless oven. For upgradation, the unit cost was Rs. 10000 per house. The completion report was to be sent to the DRDA only after receiving utilization certificate from the beneficiaries and physical verification of the site.

Scrutiny of records of Kshetra Panchayat Paraspur district Gonda revealed that Rs. 71.50 lakh was provided in the year 2003-04 by District Rural Development Agency Gonda for construction of 313 new houses and upgradation of 89 houses. Funds of Rs. 54.48 lakh were made available direct to the beneficiaries and Rs 4.85 lakh was advanced to Gram Panchayat Adhikari work incharge for construction of latrines while Rs 12.17 lakh were lying as unspent balance in bank account of Kshetra Panchayat Paraspur. It was noticed that the utilization certificate for whole amount of Rs 71.50 lakh was submitted by the Block Development Officer, Paraspur to the District Development Officer, Gonda despite the fact that Rs. 12.17 lakh were still lying with the BDO as of July 2006. Thus physical and financial achievements were wrongly reported to the higher authorities.

The matter was reported to the Government (June 2006), reply was awaited.

2.15 Loss of food grains worth Rs. 30.32 lakh.

Scrutiny of records of food grains under Sampoorna Gramin Rojgar Yojana (SGRY) and information collected from District Rural Development Agency, Rampur and Uttar Pradesh Food & Essential Commodities Corporation, Rampur (Transport Agency) revealed difference between quantity of food grains supplied to Nigam godown by

Transport Agency and quantity of food grains reported by DRDA in the year 2004-05 as given below:-

(Figures in Quintals and value Rs. in lakh)

Sl. No.	Name of the Nigam Godowns at Kshetra Panchayata	Quantity of food grains supplied by Transport Agency	Quantity of food grains shown as per DRDA report	Difference	Value of Food grains @ Rs. 830/ql.(Economic cost)
1.	Chamrauwa	4474.90	3199.06	1275.84	10.59
2.	Milak	6200.54	4835.28	1365.26	11.33
3.	Saidnagar	5152.65	4463.77	688.88	5.72
4.	Bilaspur	5865.21	5631.35	233.82	1.94
5.	Shahabad	9688.46	9599.06	89.40	0.74
6.	Swar	8366.53	8366.33	0.20	0.00
TOTAL		39748.29	36094.85	3653.40	30.32

On being pointed out by audit, Chief Development Officer, Rampur stated (October 2006) that a committee had been constituted to enquire into the matter. The report of the committee was however awaited as of September 2007.

The matter was referred to the Government (May 2006). Reply was awaited.

Allahabad
The

(Tara Chand Chauhan)
Deputy Accountant General
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